



# Memorandum

**TO:** COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE

**FROM:** William F. Sherry, A.A.E.

**SUBJECT:** SEE BELOW

**DATE:** March 8, 2013

Approved

Date

**SUBJECT: AIRPORT WEST SIDE LEASE AWARD NOTICE OF INTENDED AWARD  
INFORMATION ONLY**

**COUNCIL DISTRICT: Citywide**

## **RECOMMENDATION**

Accept the report regarding development of the facilities of the West Side of the Airport and notice of intended award to Signature Flight Support.

## **EXECUTIVE SUMMARY**

The adopted Airport Master Plan identifies the West Side of the Airport for development of facilities to accommodate a projected growth in general aviation service demand. In April 2012 the Council directed staff to proceed with a Request for Proposals (RFP) for the development of the West Side of the Airport. Development areas included 44 acres directly north of the air traffic control tower (holding 12 acres in reserve as potential mitigation area) and 15 acres in the south west area including the existing Airport operated general aviation facilities and former San Jose State leasehold. In June 2012 a **draft** RFP was developed and released for review and comment by interested stakeholders. Extensive efforts were undertaken to ensure that potential respondents had the opportunity to comment on the draft RFP. The final RFP was issued in August 2012.

Proposals were received from Atlantic Aviation, Ross Aviation and Signature Flight Support. All three proposals were screened against the minimum qualifications requirements contained in the RFP. The proposals from Atlantic Aviation and Ross Aviation were found to be non-responsive.

Signature proposes to construct a full service, world-class fixed base operation in partnership with Blue City Holdings San Jose, LLC (BCHSJ), a corporation representing the personal aircraft of the principals at Google, headquartered in Mountain View, CA. Signature proposes to construct an approximately 29-acre, \$82 million facility. Key facility and service components include over 270,000 square feet of LEED Gold standard facilities containing:

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- ✓ an executive terminal;
- ✓ hangars;
- ✓ ramp space accommodating the largest business jets (such as the Boeing Business Jet (BBJ 737) and Boeing B767); and
- ✓ aircraft servicing facilities.

Key economic benefits offered in the Signature proposal include:

- ✓ \$2.6 million annually in rent to the Airport;
- ✓ A minimum annual guarantee of \$400,000 in annual fuel flowage fee revenues to the Airport;
- ✓ A minimum annual tax generation guarantee of \$70,000 (first year) to \$300,000 (year 5 and onwards);
- ✓ 150 to 200 on-Airport and regional construction jobs;
- ✓ 36 permanent on-Airport jobs; and
- ✓ 370 direct and indirect jobs generated

The proposal from Signature was evaluated as thorough, financially stable, and of high quality, scoring 991 points out of a possible 1,000 points (99.1%). The Signature proposal offers a strong likelihood of creating: construction and permanent jobs at the Airport and hundreds of direct and indirect jobs within the region; generating target revenues for the Airport and the City's General Fund; and providing high quality corporate aviation services to the general aviation customer. Based on this assessment, staff will recommend to Council the award of a ground lease and operating permit to Signature Flight Support.

Staff will work with Signature to refine its proposed facilities to more efficiently use the developable land and retain the viability of adjacent vacant West Side property for other future general aviation development. Staff will return to Council in early spring with a recommendation to award to Signature Flight Support.

## **BACKGROUND**

The adopted Airport Master Plan currently designates the West Side of the Airport for development of facilities to accommodate a projected growth in general aviation demand, including: 1) the conversion of the recently-closed public long-term and employee parking lot north of the FAA Air Traffic Control Tower; 2) the reconfiguration of existing facilities and the former San Jose State University leasehold south of the Control Tower; and 3) improvement to several taxiways to expedite safe and efficient aircraft access to and from the runways.

General aviation is characterized as all aircraft operations (other than military and scheduled airline and cargo flights) ranging from small propeller-driven aircraft to large corporate or private jets. A map depicting the various areas of the Airport referred to in this report is attached as Exhibit A.

On April 3, 2012, the Council directed staff to move forward with an RFP for the development of the West Side of the Airport with the following key conditions:

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1. Allow proposals for any general aviation use consistent with the adopted Airport Master Plan and allowed by the FAA;
2. Proposers be allowed to propose acreage needs and best location to site their proposed use on the available land, with the City reserving the right to approve the final location;
3. The City to consider the potential to select more than one proposal if multiple complementary and high-ranked proposals are received;
4. The highest priority selection criteria should be total revenue generated to the Airport followed by revenues generated to the City's General Fund; and
5. Return to the Airport Competitiveness Committee meeting in May 2012 with an overview of the terms and conditions of the proposed RFP prior to releasing the RFP to the public.

Staff presented the proposed RFP terms and conditions at the May 18, 2012 meeting of the Airport Competitiveness Committee. At that meeting, staff received comments from the Committee and members of the public for consideration in the issuance of the RFP.

After a public outreach and comment period, staff released the RFP and received three proposals. The proposals have been evaluated and staff has identified a proposal to recommend for Council approval of a lease agreement. The purpose of this memo is to outline: 1) the development process for the RFP; 2) the evaluation of the submitted proposals; 3) the identification of the recommended proposer; and 4) next steps in the award process.

## **DISCUSSION**

### **RFP Public Outreach and Comment Period**

On June 29, 2012, a draft RFP was developed and released on the Airport's public web site to allow for review and comment by interested stakeholders. The following outreach was performed to ensure that potential respondents were aware of the opportunity to provide input on the draft RFP:

1. Email notifications were sent to 336 potential proposers and interested stakeholders – many of whom had expressed past interest in developing facilities on the West Side – providing the draft RFP and information on how to submit comments;
2. A dedicated notification banner and hyperlink to the draft RFP and other supporting documents were posted on the main page of the Airport's public website and maintained throughout the RFP process. The link to the website is:

<http://www.flysanjose.com/fl/about.php?page=improve/westside&exp=1&subtitle=Airport+Improvement++West+Side+Development>;

3. An outreach meeting for interested parties was held on July 12, 2012 at the Airport Administrative Offices;

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4. The Director of Aviation communicated directly with the Silicon Valley Leadership Group and the Silicon Valley Chamber of Commerce to encourage both organizations to make their membership aware of the opportunity to participate in the development of the final RFP; and
5. Staff presented the draft RFP at the July meeting of the Northern California Business Aviation Association.

Staff posted responses on the Airport's public website to all 159 questions and comments received from the public during the review period for the draft RFP and all stakeholders were notified of the availability and location of the responses.

The final RFP was issued on August 9, 2012 on both the Airport's public website and the City's public Bid Sync site. Potential proposers and stakeholders were notified by email of its availability. Advertising was placed in appropriate publications, including the National Air Transportation Association and Professional Pilot Magazine, to encourage the broadest public notification of the outreach effort. Interested parties had the opportunity to ask additional questions through the Airport's public website and at a mandatory pre-proposal conference and site tour held on August 30, 2012. On September 24, 2012 staff posted responses on Bid Sync and the Airport website to all 194 questions received during the RFP comment/question period.

### **Evaluation of Submitted Proposals**

Three proposals were received by the RFP deadline of December 4, 2012. The proposals are summarized in Exhibit B. Proposals were received from Atlantic Aviation (an existing fixed-base operator (FBO) on the Airport), Ross Aviation and Signature Flight Support.

#### Evaluation of Atlantic Aviation and Ross Aviation Proposals

The RFP-designated Airport staff contact, a Senior Auditor, screened the three proposals against the minimum qualifications requirements set forth in the RFP. The proposals from both Atlantic Aviation and Ross Aviation were determined to be non-responsive, and a notice of disqualification was sent to both proposers on December 19, 2012 for the following reasons:

- The Atlantic Aviation proposal did not address, or failed to include, several documents that were required by the RFP. The Atlantic Aviation proposal contained nine areas of omitted information or documentation.
- The Ross Aviation proposal did not meet the minimum requirements for aviation fuel storage.

Both Atlantic and Ross submitted letters of appeal to the City's designated Protest Hearing Officer, a Division Manager in the Finance Department, as provided for in the RFP. The Protest Hearing Officer upheld both disqualifications and notified the proposers in writing on January 28, 2013.

#### Signature Flight Support Proposal Summary

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Signature Flight Support is the largest FBO in the world (113 locations on 5 continents). It is part of BBA Aviation Corporation, a British corporation, and is a publicly traded company listed on the London Stock Exchange. In the United States, Signature has FBO facilities at Chicago O'Hare International Airport, Teterboro Airport (New Jersey), Boston Logan International Airport, San Francisco International Airport and Palm Springs International Airport, among other commercial and general aviation airports. A complete list of airports where Signature currently operates is attached as Exhibit C.

Signature proposes to construct a full service, world-class fixed base operation in partnership with Blue City Holdings San Jose, LLC (BCHSJ), a corporation representing the personal aircraft of the principals at Google, headquartered in Mountain View, CA. Signature proposes to construct an approximately 29-acre, \$82 million facility. Key facility and service components include over 270,000 square feet of LEED Gold standard facilities containing:

- ✓ an executive terminal;
- ✓ hangars;
- ✓ ramp space accommodating the largest business jets (such as the Boeing Business Jet (BBJ 737) and Boeing B767); and
- ✓ aircraft servicing facilities.

Key economic benefits offered in the Signature proposal include:

- ✓ \$2.6 million annually in rent to the Airport;
- ✓ A minimum annual guarantee of \$400,000 in annual fuel flowage fee revenues to the Airport;
- ✓ A minimum annual tax generation guarantee of \$70,000 (first year) to \$300,000 (year 5 and onwards);
- ✓ 150 to 200 on-Airport and regional construction jobs;
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- ✓ 370 direct and indirect jobs generated

A more detailed summary of the Signature proposal is contained in Exhibit D. The proposed site for Signature's facilities is shown on Exhibit E. Renderings of Signature's proposed facilities are attached as Exhibit F.

Evaluation of the Signature Flight Support Proposal

The Signature Flight Support proposal was reviewed by the Evaluation Panel in accordance with the evaluation criteria set forth in the RFP. The membership of the Evaluation Panel consisted of industry experts in the subject areas identified in the RFP, including:

- *John Aitken* – Deputy Director Airport Operations, San Jose International Airport
- *Terri Gomes* – Deputy Director, Airport Finance and Administration, San Jose International Airport
- *Kim Walesh* – Director, Office of Economic Development, City of San Jose

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- *Eric Podnieks* – Real Estate Manager, San Diego County Regional Airport Authority
- *Steve Lord* – Regional Sales Manager, Flight Display Systems, Former FBO Executive

The evaluation criteria were included in the RFP, with each subject area directly correlated to information required in the proposal. A maximum of 1,000 points were possible. The point value and percent of overall points for each criteria area were as follows:

- Revenue to the Airport (400 points/40%)
- Revenue to the General Fund (200 points/20%)
- Quality of Proposed Facilities and Capital Investment (150 points/15%)
- Business and Management Plan (150 points/15%)
- Benefits to the Local Community (100 points/10%)

The Evaluation Panel scored the Signature proposal as follows:

Criteria	Average Score (pts)
▪ Revenue to the Airport	400
▪ Revenue to the General Fund	200
▪ Quality of Proposed Facilities and Capital Investment	148
▪ Business and Management Plan	145
▪ Benefits to the Local Community	98
▪ Total	991

Signature scored a total of 991 out of a possible 1,000 points (99.1%). The Evaluation Panel found the proposal to be both thorough and very high quality, offering excellent opportunities for corporate general aviation activity and services at the Airport. The proposed capital investment is well beyond the minimum required by the RFP. Signature was found to be a financially stable company with strong financial indicators and will likely be a significant economic asset for the City of San José. The Signature proposal offers a strong likelihood of creating construction and permanent jobs, revenues for the Airport and the General Fund, and providing high quality corporate aviation services to the general aviation customer.

### Next Steps

As provided for in the RFP, staff will work with Signature to refine their proposed facilities to more efficiently use the developable land and retain the viability of adjacent vacant west side property for other future general aviation development, if possible. Possible site refinements include shifting the location of the large hangar to the south end of the site, reconfiguring the fuel storage area, or relocating all of the corporate components to the south end of the site.

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This item was heard at the February 22<sup>nd</sup> Airport Competitiveness Committee meeting, and in addition to this Community and Economic Development Committee report, this item will be heard at the March 25<sup>th</sup> Airport Commission. It is staff's intent to return to Council in early spring with a recommendation to delegate authority to the Administration to negotiate and execute a ground lease and operating agreement with Signature Flight Support, and to seek delegated authority for the administration to modify the lease to accommodate changes to the site layout needed to maximize use of the available land. It is anticipated that design will start immediately on execution of the lease, with construction to start in the fall.

/s/

William F. Sherry, A.A.E.  
Director of Aviation

For questions please contact William F. Sherry at 392-3611.

cc: City Council

Attachments: Exhibit A: A map depicting the various elements of the Airport  
Exhibit B: Summaries of the Atlantic Aviation, Ross Aviation and Signature Flight  
Support Proposals  
Exhibit C: Current List and Locations of Signature Flight Support Facilities  
Exhibit D: Detailed Summary of the Signature Flight Support Proposal  
Exhibit E: Proposed Site of Signature Facilities  
Exhibit F: Renderings of Proposed Signature Facilities